

Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
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E.O. 11652: N/A
TAGS: EFIN EINV EALR PE
SUBJ: PERU EASES RED LH ON FOREIGN INVESTMENT

1. THE PERUVIAN NATIONAL COMMISSION ON FOREIGN INVESTMENT AND TECHNOLOGY (CONITE - COMISION NACIONAL DE INVERSIONES Y TECNOLOGIAS EXTRANJERAS) HAS ISSUED TWO RESOLUTIONS WHICH (1) PERMIT REGISTRATION OF FOREIGN DIRECT INVESTMENT IN PERU IN FREELY CONVERTIBLE CURRENCY AND (2) REDUCE THE PAPERWORK AND TIME REQUIRED TO REPATRIATE PAYMENTS FOR PROFITS, ROYALTIES AND LICENSES.

2. CONITE RESOLUTION NO. 970-77-EF.35, DATED DECEMBER 7, 1977 (PUBLISHED JANUARY 6, 1978) REQUIRES THAT COMPANIES LOCATED IN PERU HAVING FOREIGN DIRECT INVESTMENT REGISTER THE FOREIGN CAPITAL PAID-IN AS OF THE CLOSE OF FISCAL YEAR 1971 PLUS ANY VARIATION DUE TO NEW INVESTMENT, REINVESTMENTS AND/OR OTHER CAPITALIZATION WHICH MAY HAVE TAKEN PLACE IN THE INTERVENING PERIOD. THE REGISTRATION OF THE FOREIGN INVESTMENT WILL BE RECORDED IN FREELY CONVERTIBLE CURRENCY CALCULATED AT THE EXCHANGE RATE IN EFFECT ON THE DATE ON WHICH THE INVESTMENT WAS ENTERED ON THE COMPANY'S BOOKS. THE RESOLUTION STATES THAT FOREIGN INVESTORS WHO DO NOT REGISTER WILL BE UNABLE TO EXERCISE THEIR RIGHTS AUTHORIZED UNDER THE LIMITED OFFICIAL USE

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ANDEAN PACT'S COMMON REGIME OF TREATMENT OF FOREIGN CAPITAL (DECISION 24), ONE OF WHICH IS THE RIGHT TO REMIT PROFITS AND OTHER PAYMENTS.

3. CONITE RESOLUTION NO. 1014-77-NG-EF.35 OF DECEMBER 19, 1977 (PUBLISHED JANUARY 10, 1978) AUTHORIZES COMPANIES WITH FOREIGN INVESTMENT OR HOLDING FOREIGN LICENSES TO

REMIT DIVIDENDS AND ROYALTY PAYMENTS THROUGH THE PERUASD COMMERCIAL BANKING SYSTEM. THE RESOLUTION ALSO SETS FORTH THE DOCUMENTATION WHICH COMPANIES DESIRING TO REMIT DIVIDENDS AND ROYALTIES MUST PRESENT WITH THEIR APPLICATIONS FOR REMITTANCES.

4. COMMENT: A. RESOLUTION NO. 970-77-EF.35 IS THE MORE IMPORTANT OF THE TWO IN THAT IT AMENDS AN EARLIER GOP RESOLUTION THAT REQUIRED FOREIGN INVESTMENTS TO BE REGISTERED IN PERUVIAN SOLES. FOREIGN INVESTORS WILL NOW HAVE A HIGHER BASE UPON WHICH TO CALCULATE THE CEILING ON THE AMOUNT OF PROFITS AUTHORIZED FOR REMITTANCE. (UNDER THE ANDEAN PACT'S DECISION 24, AS AMENDED BY DECISION 103, PROFITS EQUIVALENT TO UP TO 20 % OF THE DIRECT FOREIGN INVESTMENT IN A COMPANY, AND MORE IN CERTAIN CASES, CAN BE REMITTED EACH YEAR. WITH THE SOL DEVALUING IN RECENT YEARS, THE REQUIREMENT THAT INVESTMENT BE REGISTERED IN SOLES MEANT THAT THE DOLLAR EQUIVALENT OF THE ALLOWABLE CEILING ON PROFIT REMITTANCES WAS CONSTANTLY BEING REDUCED.)

B. RESOLUTION NO. 1014-77-NG-EF.35 OFFICIALLY ADJUSTS THE PROCEDURES FOR REMITTING PROFITS TO CONFORM TO THE FOREIGN EXCHANGE SYSTEM INSTITUTED IN OCTOBER 1977 (77 LIMA 8868). UNDER THE OLD SYSTEM APPLICATIONS FOR REMITTANCE PAYMENTS HAD TO GO THROUGH THE BANCO DE LA

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NACION. IN FACT, COMPANIES HAVE BEEN REMITTING PROFITS AND ROYALTY PAYMENTS THROUGH THE COMMERCIAL BANKING SYSTEM SINCE THE EXCHANGE REGULATIONS WERE ESTABLISHED IN OCTOBER, AND THE NEW RESOLUTION MAKES THIS PRACTICE OFFICIAL.

C. WHILE THE NEW RESOLUTIONS MAKE LIFE SOMEWHAT EASIER FOR FOREIGN INVESTMENT ALREADY IN PERU, IT IS TOO SOON TO SAY TO WHAT EXTENT THEY MAY ENTICE NEW INVESTORS. MOREOVER, FOR THE NEXT THREE MONTHS, AS CONITE PRINTS THE REGISTRATION APPLICATIONS, REMITTANCES WILL TO ALL INTENTS AND PURPOSES BE SUSPENDED.

5. COPIES OF THE TWO RESOLUTIONS BEING POUCHED ARA/AND (KEMP).
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